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Message Text

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ACTION EUR-12

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E.O. 11652: N/A
TAGS: ECON, EFIN, ECRP, BE
SUBJECT: BELGIAN GOVERNMENT ANNOUNCES 1979 BUDGET, REVISIONS FOR 1979

1. SUMMARY. THE BELGIAN NATIONAL BUDGET FOR 1979 PROMISES NO RISE IN TAXES, AN INCREASE IN OPERATING EXPENSES LIMITED TO THE EXPECTED RATE OF INFLATION, AN INCREASE OF 15 PERCENT IN CAPITAL INVESTMENT AND A TOTAL DEFICIT ABOUT 11 PERCENT GREATER THAN LAST YEAR'S. CURRENT (1978) EXPENSES WILL BE HELD TO WHAT WAS ORIGINALLY BUDGETED, BUT RECEIPTS ARE OFF DUE TO THE SLOWDOWN OF THE ECONOMY. END SUMMARY

2. THE BELGIAN BUDGETARY CYCLE, WHICH NOMINALLY COINCIDES WITH THE CALENDAR YEAR, STARTS IN MAY WHEN EXPENDITURES ARE PROPOSED BY THE DEPARTMENTS. THE BUDGET IS ANNOUNCED IN AUGUST AND SUBMITTED TO PARLIAMENT WHEN IT RECONVENES AFTER THE SUMMER RECESS. IT TAKES EFFECT IN JANUARY. IN THE PAST, IT HAS BEEN THE PRACTICE TO INCREASE EXPENDITURES--OFTEN SUBSTANTIALLY--BY SUPPLEMENTARY BUDGETARY ADJUSTMENTS. THIS YEAR, FOLLOWING A CONCERTED ATTEMPT TO BRING EXPENDITURES UNDER CONTROL, THE ADJUSTMENT--FOR THE FIRST TIME SINCE 1948--RESULTED IN A SLIGHT REDUCTION OF EXPENSES. RECEIPTS, HOWEVER, HAVE ALSO PROVED
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LESS THAN EXPECTED, DUE TO THE SLOWDOWN OF THE ECONOMY, SO THAT THE OPERATING DEFICIT FOR THIS YEAR WILL BE ABOUT 76 BILLION BF, RATHER THAN THE PLANNED 26 BILLION. WITH FINANCING FOR CAPITAL EXPENSES INCLUDED, THE 1978 DEFICIT WILL COME TO 190 BILLION.

3. COMPARISON OF 1978 AND 1979 BUDGETS (BILLIONS OF BF):
(1$US EQUALS APPROX. 32 BF)

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	(1) 1978 (PROP.)	(2) 1978 (CURRENT)	(3) 1979 (PROP.)	(4) PERCENT.INCREASE (3) / (2)
OPERATING BUDGET:				
RECEIPTS	932.2	881.7	941.7	7
EXPENSES	957.7	957.4	1022.3	7
(OP. DEFICIT)	(25.5)	(75.7)	(80.6)	7
CAPITAL BUDGET:				
INVESTMENT	200.0	200.0	230.0	15
CAP. FINANCING	76.5	85.7	103.0	20
(CAPITAL DEFICIT)	(123.5)	(114.3)	(127)	11
GROSS BUDGETARY FINANCING REQUIREMENTS	149	190	210.6	11

4. IN ANNOUNCING THE NEW BUDGET LEVELS, THE GOVERNMENT CONGRATULATED ITSELF ON NOT INCREASING TAXES AND RESTRAINING THE OPERATING DEFICIT GROWTH FOR NEXT YEAR, WHILE AVOIDING A DEFLATIONARY BUDGET. THE GOB IS SERIOUSLY ENGAGED IN A PROGRAM OF RESTORING CONTROL OVER EXPENSES, WHICH AS A RESULT OF YEARS OF LAXITY HAVE SWELLED THE NATIONAL DEBT TO A SIZE THAT REQUIRES ALMOST 5 PERCENT OF GNP TO SERVICE. AT THE SAME TIME, CURRENT ECONOMIC CONDITIONS CRY OUT FOR

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STIMULUS; THE BUDGET PROPOSAL IS APPARENTLY AN ATTEMPT TO RECONCILE THESE PARTLY CONTRADICTORY IMPULSES BY EMPHASIZING AUSTERITY IN OPERATING EXPENSES WHILE DOWNPLAYING THE MORE SUBSTANTIAL INCREASE IN THE DEFICIT IN CAPITAL EXPENDITURES. FISCAL STIMULUS, HOWEVER, MUST OVERCOME THE DEPRESSING EFFECTS--SLACK EXPORT DEMAND AND CONSTRAINED INTEREST RATES--OF THE CONTINUED LINK TO THE DEUTSCHEMARK SNAKE. THE DEGREE OF FISCAL STIMULUS PLANNED FOR 1979 IS NOT LIKELY TO HAVE A SUBSTANTIAL EFFECT BY ITSELF.
CHAMBERS

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